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Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development

Provisional summary record of the 4th meeting
Held at Headquarters, New York, on Monday, 14 April 2008, at 9.30 a.m.

President: Mr. Mérorès ..... (Haiti)

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The meeting was called to order at 9.40 a.m.

Special high-level meeting with the Bretton Woods institutions, the World Trade Organization and the United Nations Conference on Trade and Development (E/2008/7)

1. **The President** said that the annual meeting of the Council with the international financial and trade institutions had become a major forum for enhancing coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus of the International Conference on Financing for Development. The current meeting would make a substantive contribution to the preparations for the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, to be held in Doha later in the year.

2. The Council's new functions, namely the Annual Ministerial Review and the biennial Development Cooperation Forum, would provide further opportunities to contribute to financing for development and the integrated implementation of the United Nations development agenda. Indeed, the 2008 Ministerial Review was intended to promote mutual responsibility and accountability in implementing internationally agreed goals and commitments with regard to sustainable development. The Development Cooperation Forum was expected to serve as a mechanism for inclusive dialogue and policy review on key issues relating to development cooperation.

3. Following wide-ranging consultations with Member States and the major institutional stakeholders, the overall theme of the current meeting would be "Coherence, coordination and cooperation in the context of the implementation of the Monterrey Consensus, including new challenges and emerging issues". The related note by the Secretary-General (E/2008/7) contained background information and questions to stimulate discussion on five substantive topics: new initiatives on financing for development; supporting development efforts and enhancing the role of middle-income countries, including in the area of trade; supporting development efforts of the least developed countries (LDCs), including through trade capacity-building; building and sustaining solid financial markets: challenges for international cooperation; and financing of climate change adaptation and mitigation.

4. New initiatives on financing for development could play a crucial role by increasing official development assistance (ODA) on a more stable and predictable basis. Recent initiatives, including the International Drug Purchase Facility (UNITAID), the International Finance Facility for Immunization, and a pilot project within the Advance Market Commitment Initiative, had already contributed to the mobilization of new resources for health-related expenditures in developing countries. In a true spirit of partnership, developed and developing countries had come together to explore further innovative ways of increasing financing for development. The Council could play an important role in strengthening international cooperation in that area.

5. The international community should maintain its support for the development efforts of middle-income countries, including in the area of trade. A total of 93 middle-income countries accounted for 60 per cent of all developing countries and about 40 per cent of the world's poorest people living on less than two dollars a day. Despite some progress, many middle-income countries continued to face challenges with regard to alleviating poverty and inequality, maintaining social cohesion, reducing financial vulnerabilities, building solid infrastructure and improving trade competitiveness. Their economies could greatly benefit from enhanced international cooperation, especially in the areas of technical assistance, technology transfer and trade promotion. A concerted effort must be made to enable middle-income countries to serve as poles of development, at both the regional and the global levels.

6. The causes and consequences of the current turmoil in world financial markets were of a global nature. It was increasingly recognized that innovative and prudential regulation needed to be applied to new financial instruments and mechanisms in order to build and sustain solid financial markets. The creation of an international financial architecture conducive to development required concerted efforts by all relevant stakeholders. To that end, the international community needed to strengthen macroeconomic and financial policy coherence, coordination and cooperation. The current meeting should focus on the role that the Council and the major institutional stakeholders could play in shoring up national and international oversight of financial markets.

7. In the same way, the global nature of climate change called for a global response. The previous

year's Ministerial Declaration had emphasized that responses to climate change should be coordinated with social and economic development in an integrated manner. For many developing countries, their geographical characteristics and lack of financial and technical resources made that challenge particularly demanding. The international community must help those countries to secure predictable and sufficient finances to adapt to climate change and to mitigate its impact on their economies.

8. The achievement of tangible progress in the pursuit of financing for development would require improved coherence and consistency of policies and strengthened mutual responsibility and accountability for results, the two basic principles of global partnership for development that lay at the heart of the Monterrey Consensus. A concerted effort should be made to implement the United Nations development agenda for the benefit of all people.

9. **The Secretary-General** said that, over the past several years, the special high-level meetings had contributed significantly to improved coordination between the Economic and Social Council and the international trade and financial institutions, and had emerged as a particularly important part of the follow-up to the Monterrey Consensus. The current meeting built on that tradition, but its timing gave it added significance: in less than eight months' time, world leaders and decision makers would gather in Doha to take stock of progress made with regard to the Monterrey Consensus and to chart the way forward on each of the six themes underlying the Consensus. Preparations for the Doha Conference were well under way: four of the six preparatory review sessions had already been held and a fifth, on aid and development cooperation, would take place over the coming days. The current gathering would contribute to those preparations by focusing on challenges and emerging issues in the realm of financing for development, one of the main agenda items of the Conference. The decisions taken at the current meeting would help guide and inform world leaders when they met in November.

10. The President of the Council, in consultation with Council members, had identified five key themes for discussion. First, the post-Monterrey period had resulted in a number of new proposals on development financing which commanded varying degrees of consensus. If implemented, many of those measures could lead to more stable and predictable long-term resource flows to developing countries. Technical discussions were currently taking place on those initiatives. It was vital to seek out the most promising projects, build consensus and implement them successfully. He had appointed Mr. Philippe Douste-Blazy, former Minister for Foreign Affairs of France and Chairman of the Executive Board of UNITAID, as his Special Adviser on Innovative Financing for Development, with responsibility for leading the Secretariat's efforts to support that process.

11. Second, the international community had come to appreciate the special development circumstances of middle-income countries, especially in the area of trade. Middle-income countries needed better market access to foster their comparative advantages. They also required technical assistance and knowledge-sharing to help address critical needs, such as the need to improve infrastructure, integrate into world financial markets and tackle persistent pockets of poverty and growing inequality.

12. Third, the international financial, trading and monetary system had given rise to new challenges and opportunities for LDCs. Trade could be an engine of growth for the poorest economies, especially when linked with improvements in domestic productive capacity. In order to enjoy the full benefits of trade, LDCs needed to diversify their exports, particularly in the light of the high volatility of prices for primary products. However, both diversification and economic capacity-building required increased investment and technology transfer from donors. Ways to bolster "aid for trade" to those countries should therefore be sought.

13. Fourth, while financial markets in both developed and developing countries had experienced enormous growth in recent years, regulatory checks and balances had failed to keep pace. The current turmoil in world markets demonstrated that that gap was unsustainable. Innovative and robust regulation was needed in order to protect financial systems and sustain continued growth and expansion. That required a concerted effort by all players, through universal forums like the United Nations and the Bretton Woods institutions.

14. Lastly, long-term global economic growth and sustainable development were imperilled by climate change. Developing countries needed external

assistance, especially better technology and increased financing, in order to rise to that challenge.

15. In less than two years' time, the Conference of the Parties to the United Nations Framework Convention on Climate Change would take place in Copenhagen. The run-up to that critical meeting must be utilized to implement new ways of financing adaptation and mitigation measures in the developing world. However, it was also important to build on existing foundations by exploring how existing mechanisms could be enhanced, understanding their shortcomings, and then deciding what additional financing means might be necessary.

16. The need for sustainable, equitable development, in rich and poor countries alike, was indisputable. Members' views, proposals and new initiatives on the current discussion themes could help point the way forward and provide critical inputs for the Doha Conference. He was determined to do everything possible to advance the international development agenda. Together with the President of the General Assembly, he would convene a special high-level event in New York in September 2008 to discuss ways to step up implementation of the MDGs. That meeting would help heighten the focus on the world's development needs and would send a powerful signal that the Doha Conference must deliver on the promise of the global partnership for development. He had also designated two Special Envoys for the Doha Conference, who would help mobilize political support for, and high-level participation in, the Conference.

17. **Mr. Draganov** (President, Trade and Development Board, United Nations Conference on Trade and Development (UNCTAD)) said that the twelfth session of UNCTAD (UNCTAD XII), to be held in Accra, Ghana, from 20 to 25 April would make a substantial contribution to addressing the problems of what the Secretary-General had recently described as the "bottom billion" — the poorest of the poor left behind by global economic growth.

18. Realizing gains from trade for developing countries, especially the poorest and most marginalized, was a continuous development challenge. Countries needed to build productive capacities and competitiveness and to formulate appropriate policies for integration into the world economy. UNCTAD XII would focus on ways of strengthening that integration.

19. With regard to new initiatives on financing for development, foreign direct investment (FDI) remained a key source of finance for developing countries. A World Investment Forum would be held as part of UNCTAD XII to highlight the contribution of investment to development and also to encourage investment in Africa. At the same time, new sources of financing, such as South-South investment, could be used for the benefit of developing countries. As UNCTAD studies showed, outward FDI flows from developing countries and countries with economies in transition had increased threefold since the 1990s, reaching $193 billion in 2006. South-South FDI flows currently constituted the bulk of FDI inflows for LDCs. Sovereign wealth funds from developing countries were also emerging as potentially major components of development finance. According to estimates by the investment firm Morgan Stanley, the value of such assets had surpassed $3 trillion by the end of 2007.

20. In the area of trade financing, the Aid for Trade Initiative could help enhance beneficiaries' participation in international trade, thus generating additional resources for development. In order for the Initiative to reach as many countries in need as possible, the United Nations must become actively involved in its implementation in support of the efforts of the World Trade Organization (WTO).

21. Turning to the topic of supporting development efforts and enhancing the role of middle-income countries, he said that those countries were not only advancing their own national development but were also promoting development in other countries. If that trend was to continue, they would need appropriate measures for trade and investment liberalization, facilitation and infrastructure agreements, financing arrangements, macroeconomic and regulatory policy coordination, and additional consultative mechanisms. The United Nations system could play a key role to that end.

22. With regard to supporting development efforts of LDCs, one of the main challenges faced by those countries was the lack of competitive and diversified productive capacities and of market access. Those difficulties were often compounded by a lack of infrastructure or of the financial resources required to build such infrastructure. The international community must support LDCs in tackling that challenge, and he welcomed the international consensus on the need to scale up ODA and to put in place other enabling

instruments, in particular the WTO Enhanced Integrated Framework.

23. At the national level, the recently improved economic performance of LDCs, driven mainly by the commodity boom, needed to be translated into increased private and public investment with a view to diversifying those economies and overcoming their commodity dependence. Integration into the global value chains, as well as technological upgrading, innovation and adaptation, could also play an important role.

24. Temporary labour movement for the supply of services represented an additional opportunity. For instance, the flow of remittances exceeded annual FDI or ODA inflows in many LDCs. Liberalization of the service sectors of interest to LDCs through international trade negotiations would help to improve the development prospects of the poorest countries.

25. The agreement at the Hong Kong WTO Ministerial Conference to provide duty-free and quota-free market access for LDCs was a major milestone that must be implemented. Regional and interregional South-South trade cooperation and integration had enormous potential to improve trade and development opportunities for LDCs. It was also important to facilitate the integration of LDCs into the multilateral trading system.

26. Developing countries were the hardest hit by global financial-market instability. It was therefore vital to build and sustain solid financial markets in order to underpin financing for development. In any new financial architecture, the main focus should be on crisis prevention. However, it was also necessary to envisage mechanisms for resolving any crises that did occur. As pointed out by the Secretary-General of UNCTAD in his report to UNCTAD XII, avoiding competitive depreciations and other monetary distortions that harmed the international trading system was more important in today's highly interdependent world than at any other time.

27. A new international financial architecture should also aim to ensure greater exchange-rate stability. The exchange rate of any country was, by definition, a multilateral phenomenon. In order to prevent the financial markets from damaging national competitiveness, a new code of conduct on exchange-rate management might be helpful.

28. The current turbulence in international financial markets and the possible repercussions for growth and development indicated a lack of coherence between the international trading system, which was based on institutions and rules, and the international monetary and financial system, which operated in a relative institutional vacuum. Strengthened multilateral rules and institutions could help reduce market uncertainty and instability and encourage greater compatibility of national macroeconomic policies. Safer debt instruments should also be developed. The multilateral financial institutions could play an important role in that regard.

29. Turning to the financing of climate-change adaptation and mitigation, he said that the interface between the environment and trade and development was a central component of globalization. Climate change currently posed one of the greatest risks to development. Its impact and costs were inequitable: poor countries were the hardest and the earliest hit. If climate-change predictions were accurate, there was also a likelihood of increased migration by people seeking better economic conditions or sheer survival.

30. Climate change had significant implications for trade and development, as did the measures identified to address it, such as the emerging carbon-emissions market, the Kyoto Protocol regime, the clean-development mechanism and the liberalization of trade in environmental goods and services. Attention must be paid to the combined impact of the global trade and production system and of climate change on the development prospects of developing countries, with a view to finding solutions along the lines of the carbon-emissions market.

31. **Mr. Ochoa** (Mexico), reporting on the recent meeting of the Development Committee on behalf of the Chairman of that Committee, said that the current year, as the midway point between the adoption and the deadline for the attainment of the MDGs, was crucial for generating momentum. At its spring 2008 meeting, the Committee had therefore attached even greater importance than usual to reviewing progress and addressing constraints. Even though the world was on course to meet the Goal relating to poverty, progress had been uneven. Despite improved growth, most sub-Saharan and some other countries were not on track to meet the goals. Noting that stronger, sustainable and more equitable growth remained central to more effective poverty reduction, the

Committee had urged donors to increase their support for the poorest countries' own development priorities.

32. While progress had been made on the human-development goals, the risk of falling short was far greater for those goals than for the poverty-reduction goal. The Committee had called for more accessible, more effective and better-quality health and education services and emphasized the need to take account of the strong links between health and education outcomes, nutrition, water and sanitation, and environmental factors such as pollution and climate change. It had also stressed the need to treat girls' advancement and women's economic empowerment as central development issues.

33. While the balance of risks to the global outlook had become more negative, emerging and developing economies had thus far been less affected by financial-market developments. The impact of higher commodity prices varied according to whether countries were net importers or exporters. Within countries, large groups of poor people were severely affected by high food and energy prices across the developing world. The Committee had asked the World Bank Group and the International Monetary Fund (IMF) to be ready to provide timely policy and financial support to vulnerable countries dealing with negative shocks. Moreover, it had welcomed the Bank President's recent call for a New Deal to combat hunger and malnutrition; urged donors to provide assistance to the World Food Programme; and encouraged the Bank to strengthen its engagement in agricultural development.

34. Noting that fragile situations and post-conflict States posed special challenges, the Committee had asked the Bank to promote better understanding of fragility, conflict dynamics, and effective strategic and operational approaches, and emphasized the importance of strong collaboration between the Bank and its international and local partners on effective economic support to peacebuilding transitions, institution-building and governance reforms, progress towards the MDGs, and private-sector development.

35. Noting that increased and more effective aid remained critical, the Committee had welcomed the fifteenth replenishment of International Development Association (IDA) resources, which had yielded an unprecedented 36-per-cent increase in donors' contributions and an overall envelope exceeding $40 billion. The Committee had called on IDA to continue playing a crucial platform role in the evolving aid architecture. Although many recipient countries had benefited from debt relief and improved the effectiveness with which they utilized ODA, there were concerns that the growth path of overall aid volumes might not be consistent with existing commitments. Consequently, the Committee had agreed on the urgency of achieving international-aid commitments and called on those who had not yet done so to deliver on their commitments, including the doubling of aid to sub-Saharan Africa by 2010.

36. Emphasizing that more needed to be done to implement the principles embodied in the Paris Declaration on Aid Effectiveness, the Committee had called on all development-assistance suppliers to operate in line with the country-based model and the debt-sustainability framework. The third High-level Forum on Aid Effectiveness, to be held in Accra later in the year, would provide an opportunity to advance that agenda. Furthermore, the Committee strongly supported intensified and decisive efforts to agree on an ambitious pro-development Doha Round and, in that context, had stressed the need to integrate trade and competitiveness within national-development strategies, while stepping up support for "aid for trade".

37. In addition, the Committee had reviewed key aspects of the World Bank's own operations and governance. In late 2007, the Bank's President had identified six crucial international challenges as focal points for the World Bank Group's future strategic directions. The Committee had endorsed the Bank Group's objective of contributing to inclusive and sustainable globalization; welcomed efforts to develop further and refine the overall strategic framework for the Bank Group's work; and welcomed the implementation of the Bank's governance and anti-corruption strategy. The Committee looked forward to the full implementation of the recommendations on strengthening transparency, internal governance and project integrity made by the Independent Inquiry Committee into the United Nations Oil-for-Food Programme.

38. With regard to voice and participation in World Bank governance, the Committee had welcomed a report from the Managing Director of IMF on recent changes at the Fund and encouraged the Bank to advance its work on all aspects of voice and participation, keeping in mind its distinctive

development mandate and the importance of enhancing voice and participation for all developing and transition countries. The Committee looked forward to receiving concrete options from the Bank's Board of Governors by its next meeting, with a view to reaching consensus on a comprehensive package by the spring 2009 meeting.

39. Lastly, the Committee had welcomed the Concept and Issues Note on the Strategic Framework on Climate Change and Development (SFCCD) for the World Bank Group and stressed the importance of the Group's addressing climate change in the overall context of its core mission of promoting economic growth and poverty reduction. The Committee had acknowledged the Bank's important and catalytic role in the financial architecture on climate change and had asked it to elaborate further on the additional financing needs for addressing climate change, the mobilization of private-sector funding and the complementarities between existing and new financing mechanisms. The Committee had also emphasized that financial resources for the climate-change agenda must be additional to current ODA levels. Recognizing that access to energy remained key to development, it had supported the Bank's goals of promoting clean technology and renewable-energy deployment, technology transfer, and research and development. Lastly, it had acknowledged the work under way on the design, governance and financing of the new climate investment funds to help address the challenge of climate change.

40. **Mr. Portugal** (Deputy Managing Director, International Monetary Fund (IMF)), reporting on the recent meeting of the International Monetary and Financial Committee, said that the Committee had met at a time of great uncertainty in the global markets. The world economy faced global challenges requiring close cooperation among the entire IMF membership. Since the Committee's previous meeting, global financial instability had increased, world economic growth had slowed, and growth prospects for 2008 and 2009 had deteriorated. Inflationary risks had also risen. While each country's situation was different, there was a need for coherent action, taking due account of spillover effects and cross-border interactions.

41. In the advanced economies, monetary policy should continue to aim for medium-term price stability while responding flexibly to signs of a more pronounced economic downturn. Fiscal policy could also play a useful counter-cyclical role. In the United States, temporary fiscal easing would help counter downside risks to growth. Other advanced economies had also experienced financial turbulence and declining growth; when consistent with medium-term fiscal objectives, automatic fiscal stabilizers should be allowed full play.

42. The action taken by the advanced economies' central banks to provide liquidity support should ease strains in inter-bank money markets. Continued close collaboration between IMF and the Financial Stability Forum, the Bank for International Settlements, standards-setting bodies and national authorities would be essential to ensuring that lessons were learned and shared, and agreed policy actions rapidly implemented. One such lesson was that the Fund's financial-surveillance role needed to be strengthened, including through the Financial Sector Assessment Programme. In addition, further prompt action by major financial institutions to disclose losses and repair balance sheets by raising capital when needed and mobilizing medium-term funding would help restore confidence. Further progress should also be made on safeguarding medium-term fiscal consolidation in the United States; introducing product and labour-market reforms in Europe; adopting further structural reforms, including fiscal consolidation, in Japan; addressing supply bottlenecks in oil-exporting countries; and introducing reforms to boost domestic consumption in emerging Asia, together with greater exchange-rate flexibility in a number of countries.

43. Emerging-market countries and other developing countries had continued to show resilience in the face of the ongoing financial crisis, though growth prospects had diminished and inflation risks increased. For many countries, containing inflation and addressing vulnerabilities remained key priorities. Other countries might have room to respond through counter-cyclical policies without jeopardizing their stabilization gains. Commodity-exporting countries should maintain progress towards economic diversification. Noting that a number of developing countries faced a sharp rise in food and energy prices, the Committee had urged the Fund to work closely with the World Bank and other partners to develop an integrated response through policy advice and financial support, and had expressed its strong support for a prompt and ambitious conclusion of the Doha Round. The Committee had also welcomed the IMF initiative

to work, on a collaborative and voluntary basis, with sovereign wealth funds to develop a set of best practices by 2008.

44. Turning to the Fund's reform and policy agenda, he said that recently agreed reforms would strengthen its role in promoting global financial stability at the current critical juncture. The Committee had welcomed the Executive Board's agreement on the quota and voice reforms, which was scheduled to be approved later in April. The new, more transparent quota formula would lead to an increase in developing countries' quota share. The reforms also recommended further realignments every five years to ensure that members' quota shares adequately reflected their relative positions in the world economy. Such realignments were expected to result in increases in the shares of dynamic and emerging-market economies and of developing countries as a whole.

45. The Committee had also endorsed a new income model and medium-term budgetary envelope, which would help place the Fund on a sustainable financial footing. It would include the establishment of an endowment funded by the profits derived from a strictly limited sale of gold with the agreement of the central banks, which would provide the Fund with a more stable and secure source of income. Safeguards had been adopted to ensure that the Fund's lending capacity was not affected.

46. The Committee had agreed that the principle of comparative advantage should underpin the refocusing of the Fund's activities. Bilateral surveillance would remain at the core of the Fund's work and provide an essential input into multilateral and regional surveillance. The Committee supported efforts by the Fund to sharpen its analysis of the financial sector, macrofinancial linkages, exchange rates and spillover, and to deepen its work on identifying and addressing risks to financial stability. The Fund's vulnerability exercise would be extended to advanced economies, and global and cross-country perspectives better integrated into bilateral surveillance. The Committee also supported efforts to make surveillance outputs better focused and more timely, while preserving the quality of bilateral surveillance. The Executive Board would consider a first statement of surveillance objectives and priorities prior to the Committee's next meeting in October.

47. The Fund's closer interaction with emerging-market economies would focus on the specific challenges they faced owing to global financial integration, cross-border linkages and volatile capital flows. The Committee had encouraged the Executive Board to consider increasing the level of normal access to Fund resources. The Fund would continue its work on a crisis-prevention facility that met the needs of emerging markets and would report on progress made in that regard at the Committee's next meeting.

48. The Fund's work on low-income countries would focus on macroeconomic and financial stability, debt sustainability, capital inflows and commodity price swings; possible improvements in the Fund's engagement with countries suffering from shocks that affected their balance of payments; and close cooperation with the World Bank and relevant United Nations agencies.

49. Lastly, the Fund's technical assistance would be made more effective with greater prioritization and a stronger results-based focus, through both a system of graduated charges and an increase in external financing for technical assistance and training.

50. **Mr. Alfaro** (Director, External Relations Division, World Trade Organization (WTO)) said that the Doha Round was at a critical juncture. WTO members had engaged in intensive negotiations over the past months, but there was still no sign of the compromises needed to bring the Round to a successful conclusion by the end of the year. Members needed to demonstrate flexibility and reach a compromise on modalities to liberalize trade in agricultural and industrial products within the coming weeks, so that all other areas under negotiation could be finalized.

51. Much progress had been made in the past few months and a breakthrough, though difficult, was possible at any time. Success was therefore within reach, provided all WTO members were ready to make a contribution. Given the intense negotiating activity currently being seen in Geneva and the tremendous efforts being made to close the last remaining gaps, WTO was confident that all members had realized the importance of concluding the Round by the end of the year. The real challenge was more political than technical. It was about leadership, compromise and a recognition by countries of their common interest in success and the collective cost of failure.

52. Political leaders and WTO ministers had reaffirmed their commitment to concluding the Round by the end of the year. A deal was more important now than ever, given the uncertain global economy. The process should be speeded up to take advantage of the current small window of opportunity.

53. The prospect of failure was quite worrying. The once-in-a-generation opportunity to open world markets to developing-country exports and redress imbalances in global trade relations would be missed; the leverage that smaller and poorer members enjoyed at WTO would be lost in the face of increased pressure from bilateral and regional arrangements; and the multilateral trading system would be weakened.

54. The main challenge currently facing the negotiations was the need to make progress on agricultural and industrial tariffs, by adopting modalities for trade liberalization in those areas by May at the latest. In those and all other areas, there was a need for improved market access and more balanced rules that would allow developing countries to reap the benefits of more open world trade. Removing trade restrictions, particularly in the agricultural sector, and improving trade opportunities for developing countries, including through increased South-South trade, were the main contribution that WTO could make to development and poverty alleviation.

55. "Aid for trade" was a crucial factor in the development equation. Many developing countries had experienced only "virtual" gains from previous negotiating rounds, in part because they lacked the capacity to trade effectively. Aid for trade, though not part of the Doha Round, was critical to achieving a successful outcome for as many countries as possible. Aid for trade was now a priority and many developing countries were actively engaged in identifying priorities, mainstreaming trade in national strategies and working with neighbouring countries on regional approaches. Such countries saw aid for trade as a catalyst for leveraging investment, entrepreneurship and reform. Now donors needed to honour their commitments, clarify their plans and begin delivering additional resources.

56. The role of WTO was not to become another development agency, but rather to mobilize, monitor and evaluate aid for trade. The goal was not to create a new mechanism but to help the many existing mechanisms work together more efficiently and effectively. Improved transparency would create incentives to honour commitments, meet needs, improve effectiveness and reinforce mutual accountability.

57. The current year was critical in terms of mobilizing aid for trade. In February, members had approved the aid-for-trade road map proposed by the Director-General of WTO; consultations were now under way regarding its implementation. The road map's key objective was to monitor the implementation of projects on the ground. For that to happen, clear national and regional strategies would need to be formulated. Monitoring and evaluation tools would also be developed, with a focus on country, regional and sectoral priorities.

58. The Doha Development Agenda was the largest challenge that WTO had faced since its creation. The challenge was to achieve what had been started during the Uruguay Round: a more level playing field in areas of particular interest to developing countries, such as agriculture. The current phase was the most difficult. It would take a great deal of political courage and commitment to conclude the current Round successfully. WTO needed to be able to count on the international community's support for the Doha Round, so that together they could unlock the economic potential of developing countries, use trade development as an engine for accelerating growth and achieving the Millennium Development Goals and help make life easier for millions of people.

59. **Mr. Qureshi** (Senior Adviser to the Chief Economist, World Bank) introduced the *Global Monitoring Report 2008*, which had been prepared jointly by the World Bank and IMF. His introduction was accompanied by a PowerPoint® presentation. The report came at an especially important time, as 2008 marked the halfway point in the effort to achieve the Millennium Development Goals (MDGs) by 2015. It was also a critical year for reaching consensus on a world response to climate change, following the recent thirteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change.

60. While significant progress had been made towards achieving some of the MDGs, there were major shortfalls with regard to most of them. The poverty-reduction objective under Goal 1 was likely to be met at the global level, owing to a remarkable surge

in economic growth in many countries over the previous decade, but continued efforts were needed to fight hunger and malnutrition. Likewise, the promotion of gender equality in schools appeared attainable at the global level, but progress was lagging in terms of gender parity in tertiary education and other gender-related targets. Likely shortfalls were especially serious for the human-development goals, including those relating to child and maternal mortality, as well as primary-school completion and sanitation.

61. Progress was uneven across regions and countries. At the regional level, sub-Saharan Africa was experiencing serious lags on all the goals, including Goal 1, even though many countries in the region had recently improved their growth performance. South Asia was lagging behind on most of the human-development goals, although it would probably meet the poverty-reduction goal. At the country level, a majority of countries would fall short of most of the goals. Fragile States affected by conflict had fallen behind most significantly. Regarding some goals, such as poverty reduction, there had even been regress. Lack of progress had immediate and tragic consequences: millions died every year from preventable diseases and complications.

62. Most of the goals could be achieved by most countries if more efforts were made by the countries themselves and their development partners. Notwithstanding the difficulty of such a challenge, the success of better-performing countries gave reason to hope that rapid progress was achievable. International attention associated with the midpoint in implementation of the MDGs made 2008 a crucial year for generating the necessary momentum for their timely achievement. The international high-level meetings planned during the year provided opportunities for deciding on priorities and agreeing on milestones for monitoring progress.

63. The report proposed a six-point agenda for inclusive and sustainable development. The first point was that strong and inclusive economic growth must be at the centre of the strategy for achieving the goals. An immediate priority was to protect the growth of developing countries from the turmoil of global financial markets and the associated slowdown in advanced economies. Developing-country growth in 2008 was projected to slow by a little over a percentage point, but to remain relatively robust at 6.7 per cent; that growth was, however, subject to risk. Private capital flows to developing countries had maintained strong growth for most of 2007, breaking the one-trillion-dollar mark for the first time. Flows were expected to ease in 2008, but should remain relatively abundant, although subject again to uncertainty. A sharp rise in energy and food prices had added to current risks. The short-term impact of the higher food prices could be an increase in extreme poverty in low-income countries by an average of 4.5 percentage points, although the impact varied considerably from country to country. Such risks required careful monitoring and appropriate policy responses.

64. While growth in Africa had recently improved, performance varied greatly across countries, with many lagging behind. Poor countries needed to achieve annual GDP growth of 7 per cent or more to reduce poverty significantly, but only about one third of Africa's population lived in countries that had achieved average growth of that type over the past decade. Three areas emerged as essential to robust growth in any country: sound macroeconomic policies, a conducive private-investment climate and good governance. In fragile States, improvement of the governance environment, together with security enhancement, was crucial. In many African countries, and in low-income countries more generally, a dynamic agricultural sector was key to achieving strong growth, and would help mitigate the upward pressure on food prices. Achieving a so-called African green revolution should be a priority for countries in the region and their development partners.

65. Growth must become more inclusive both across and within countries. Within-country income inequality had increased in many countries over the past 15 years, and such increases tended to be more pronounced in countries with relatively high growth rates. A rise in inequality limited the impact of growth on poverty reduction. Boosting the agricultural sector was crucial for inclusive growth, as was an investment climate that expanded opportunities by providing a level playing field for businesses. In addition, broadening access to services such as education, finance and trade-related infrastructure would enable more people to participate in the benefits of technological progress and globalization.

66. The second point on the agenda was the need for accelerated efforts to achieve the human-development goals, which would be most affected by prospective

shortfalls. That would require commitment of more resources, including increased donor support, to key programmes in education and health, with emphasis on the quality and equity of spending.

67. A stronger focus was needed to tackle malnutrition, a challenge made more urgent by the rise in food prices. Despite the progress already achieved, malnutrition was the underlying cause of at least 3.5 million deaths annually and accounted for 35 per cent of the disease burden of children under the age of five. Policy interventions must take account of the strong links between health and education, nutrition and environmental factors. Based on the analysis of a range of countries, the report had found that environmental health hazards could cost countries as much as 4 per cent of GDP.

68. The third point on the agenda was the importance of incorporating environmental sustainability into core development in order to maximize strategies. As reflected in the wording of Goal 7, ensuring environmental sustainability was necessary in order to achieve the other goals and to sustain long-term growth and development. For countries dependent on natural resources, sound resource management was critical for sustainable growth. While issues of sustainable use of natural resources were typically raised in relation to sub-soil assets, such issues extended to other resources, such as forests and water.

69. Developing countries stood to suffer the most from climate change while being the least able to adapt. The best way to reduce their vulnerability was by diversifying their economies, strengthening infrastructure and developing health systems. The fact that about a third of the developing world's population currently lacked access to electricity implied a twofold challenge: reducing damaging carbon emissions while meeting the energy and growth needs of the world's poor countries.

70. The international community must work towards a timely agreement on a post-Kyoto framework to mitigate carbon emissions. Stabilization of greenhouse-gas concentrations within limits that kept the impacts of climate change manageable would require a significant reduction of carbon emissions by advanced countries and curbing of growth in emissions by developing countries with eventual stabilization in the longer term. Such action accorded with the principle of common but differentiated responsibilities and respective capabilities that recognized developing countries' lower historical contribution to greenhouse-gas concentrations and much lower energy use and carbon emissions per capita. The challenges raised by environmental sustainability were diverse, with no one solution suited to all countries. Transition to climate-resilient and low-carbon growth would require financing and technology transfer to developing countries. Additional external financing, rather a diversion of resources from other development programmes, would be needed.

71. The fourth point on the agenda was the need for additional and better aid. At a time when a number of countries were expanding their capacity to utilize increased resources productively through reforms, aid was stalling or, in some cases, falling. That trend must be reversed. The aid architecture was changing with the emergence of new aid sources and modalities, which promised more resources and innovation, but also posed new challenges for aid effectiveness and coherence. The upcoming third High-Level Forum on Aid Effectiveness provided a timely opportunity to address the issues of scaling up aid and its effectiveness in a changing aid landscape. Increased private flows to developing countries created opportunities to catalyse and leverage more private capital in support of development, including through innovative public-private partnerships. Borrowers and creditors both needed to consider debt sustainability in order to prevent a re-accumulation of unsustainable debt following debt relief.

72. The fifth point on the agenda was that trade should be harnessed more effectively to contribute to strong and inclusive growth. The international community must aim for a successful outcome of the Doha Development Round in 2008. The current high food prices provided a window of opportunity to break the impasse on agricultural-trade liberalization. Aid for trade should be scaled up substantially to help strengthen poor countries' trade-related infrastructure and services and enable them to take advantage of trade opportunities, thus promoting more inclusive globalization. Allocation of aid could also be improved to benefit low-income and least developed countries. In addition, trade policy should aim to facilitate transfer of environmentally friendly technologies. Eliminating policies that restrained trade in the most efficient environmental goods and services and assisting producers in developing countries in benefiting from

such initiatives as carbon labelling could help to harness the potential of trade to support strong and inclusive growth and to improve environmental outcomes.

73. The sixth point on the agenda was the importance of effectively leveraging support from international financial institutions as their relative financing roles declined. Ways of achieving that included: sharper differentiation of products and services across member countries, use of knowledge services as a critical means to enhance development leverage, and a stronger engagement in the increasingly important global and regional public-goods agenda, such as combating climate change, through direct interventions and by creating an enabling environment to leverage the private sector.

The meeting rose at 11.20 a.m.